

AR48

COLUMBIA NATURAL GAS *Limited*



A N N U A L
R E P O R T

1964

COLUMBIA NATURAL GAS *Limited*

head office

25 — 10TH AVENUE SOUTH, *Cranbrook, B.C.*

officers

F. A. SHERRIN, *President*

ROBERT G. GRAHAM, *Executive Vice-President*

JOHN G. CHASTON, *Secretary-Treasurer*

directors

DON R. BRANDT, *Edmonton, Alberta*

JOHN G. CHASTON, *Vancouver, B.C.*

N. W. DuBOIS, *Edmonton, Alberta*

ROBERT G. GRAHAM, *Winnipeg, Manitoba*

F. A. SHERRIN, *Vancouver, B.C.*

auditors

HELLIWELL, MACLACHLAN & CO., *Vancouver, B.C.*

registrar and transfer agent

THE EASTERN TRUST COMPANY, *Vancouver, B.C.*

*Distributing Natural Gas in the
East Kootenay area of British Columbia.*



DIRECTORS' REPORT TO THE SHAREHOLDERS

As was previously reported to you on November 9, 1964, to cooperate with reporting requirements of the Public Utilities Commission, the Company's year-end has been changed from August 31 to December 31. Accordingly, you will note that the Statement of Income & Retained Earnings forming part of this report sets out the results of the Company's operations for the 16 months ended December 31, 1964. For comparative purposes, the results of the 12 months to August 31 are also shown. Similarly the Balance Sheet shows the financial position of the Company at both December 31 and August 31 of 1964. In subsequent years, the financial statements will be for the 12 month period ended December 31.

A notice calling a shareholders' meeting for April 15 is enclosed with this report.

CUSTOMER ACCEPTANCE

The year ended December, 1964 closed with your Company serving 2,852 out of the 6,251 potential customers in the East Kootenay service area. This is equivalent to 46% of the market and represents good results for the Company's sales activities to date. The number of new customers added in the 12 months ended December 31 was 666 which represents a 30% increase in number of customers served for the year.

REVENUE & SALES

As shown by the Statement of Income, the operating revenue for the 16 months ended December 31, 1964 was \$654,661. However, on a 12 month basis the revenue for the year ended December 31 was \$509,680 as compared with \$304,916 for the year ended December 31, 1963. Therefore, an increase of 67% was realized. We anticipate that next year revenue will show an increase of \$75,000 without considering sales to Consolidated Mining & Smelting Company of Canada Limited.

The average amount of gas sold to various classes of customers for the 12 months ended December 31 are as follows:

Residential Customers	137 mcf
Small Commercial Customers	239 mcf
Large Commercial Customers	1457 mcf
All Commercial Customers Combined	613 mcf

CONSTRUCTION & PLANT

During the 12 months ended December 31, approximately 30,933 feet of new distribution mains were added. In addition, 650 new service lines from the distribution mains to customers' premises were installed. Your Company now has over 392,739 feet of distribution mains in the communities of Cranbrook, Kimberley, Chapman Camp, Marysville, Creston and Fernie, plus 407,510 feet of transmission lines connecting these communities with the main trunk line of Alberta Natural Gas Company. The total cost of its plant is now \$3,322,732 and is made up as follows:

Transmission Systems.....	\$1,783,350
Distribution Systems.....	1,476,738
General Plant.....	62,644
	<hr/>
	\$3,322,732

COMPARATIVE OPERATING RESULTS ON AN ANNUAL BASIS

Due to the change in year end, the audited statement of income and retained earnings contained in this report covers a 16 month period. For your information, the results for the year ended December 31 on a 12 month basis are set out on the following page:



3 lines

YEAR ENDED DECEMBER 31	1964	1963	1962
OPERATING REVENUE:			
Sale of natural gas.....	\$509,680	\$304,917	\$37,433
OPERATING REVENUE DEDUCTIONS:			
Natural gas purchased.....	127,882	75,394	7,665
Operating, general and administrative expense.....	148,419	128,980	23,457
Depreciation.....	66,819	36,948	7,945
Gross Earnings.....	\$166,560	\$ 63,595	\$(1,634)
OTHER INCOME:			
Income from investments.....	Nil	4,428	25,382
Miscellaneous.....	7,848	3,271	243
INCOME DEDUCTIONS:			
Interest on funded debt.....	114,000	114,000	38,000
Amortization of deferred charges.....	6,120	6,771	1,378
Less interest charged to capital.....	5,054	52,710	25,466
Net Income for Period.....	<u>\$ 59,342</u>	<u>\$ 3,233</u>	<u>\$10,079</u>

COST OF GAS

In previous reports we have commented that the cost of gas to us has been running 10% higher than our supplier, Westcoast Transmission Company Limited, had forecast and that Westcoast felt the situation was temporary. Our actual cost of gas purchased for the 12 months ended December 31, 1964 was 27.08c per mcf and this is about 5% higher than the Westcoast Transmission estimate.

COMINCO CONTRACT

During October 1964 a contract was signed with The Consolidated Mining & Smelting Company of Canada Limited for a natural gas supply to its industrial complex at Kimberley. After consideration the proposed Contract was approved by the Public Utilities Commission and service is expected to commence in May 1965. Although the Contract contemplates significant volumes of gas, the present load will not provide the immediate returns which were suggested in evidence before the Public Utilities Commission when applications were heard for the certificate to service this area. On the other hand, COMINCO'S recent significant additions to their facilities at Kimberley in the form of a \$9 million addition to their fertilizer complex, commencement of a \$7 million expansion of their chemical operation to produce phosphoric acid, plus the addition of new facilities to produce up to 200 tons of steel per day, materially improves the long term outlook of this customer and the economic welfare of our service area. The contract with COMINCO is for 20 years' duration and COMINCO agrees to pay a fixed mark-up (adjusted for volume) over our cost of gas. It is our hope that a contract in this form will allow Columbia to share in COMINCO'S growth.

PROFITS

The net income for the 16-month period ended December 31, 1964 as shown in the audited financial statements forming part of this report was \$62,625. As previously pointed out for this year only, it is necessary to show a 16-month period in the audited statements due to the change in yearends from August to December. However, the results for the 12 months ended December 31 (unaudited) are given above as \$59,342 for 1965. This profit is equivalent to 49.8c per share on the 119,000 shares outstanding.

The Directors wish to express their thanks to the employees for their contribution to the Company's successful year.

On behalf of the Board of Directors,
F. A. SHERRIN, President.

COLUMBIA NATI

(Incorporated under the

Balance Sheet as at

(with comparative fig

ASSETS

	December	August
CURRENT ASSETS:		
Cash.....	\$ 550	\$ 505
Accounts receivable, less allowance for doubtful accounts:		
Customers.....	86,283	22,768
Conditional sales contracts.....	35,614	28,130
Sundry.....	7,075	4,381
Materials and supplies, at cost.....	44,630	47,678
Prepaid expenses.....	9,750	10,213
	<u>\$ 183,902</u>	<u>\$ 113,675</u>
 PROPERTY, PLANT AND EQUIPMENT, at cost:		
Utility system.....	3,260,427	3,165,685
Transportation equipment.....	33,681	28,746
Office and sundry equipment.....	28,625	28,576
	<u>3,322,733</u>	<u>3,223,007</u>
Less accumulated depreciation.....	110,111	87,528
	<u>\$3,212,622</u>	<u>\$3,135,479</u>
 DEFERRED CHARGES, at cost less amounts written off:		
Unamortized debt discount and expense.....	69,984	71,323
Other.....	24,227	24,927
	<u>\$ 94,211</u>	<u>\$ 96,250</u>
	<u><u>\$3,490,735</u></u>	<u><u>\$3,345,404</u></u>

AL GAS Limited
(Incorporated in British Columbia)

December 31, 1964

(as at August 31, 1964)



LIABILITIES AND SHARE CAPITAL

	December	August
CURRENT LIABILITIES:		
Cheques issued in excess of funds on deposit.....	\$ 21,011	\$ 13,930
Bank loan, secured.....	215,000	165,000
Accounts payable and accrued liabilities.....	112,797	79,699
Customers' security deposits.....	42,895	37,485
	<u>\$ 391,703</u>	<u>\$ 296,114</u>
 FUNDED DEBT:		
6% First mortgage sinking fund bonds, Series "A," maturing June 1, 1982 (Note 1).....	<u>\$1,900,000</u>	<u>\$1,900,000</u>
 CONTRIBUTIONS IN AID OF CONSTRUCTION.....	<u>\$ 80,878</u>	<u>\$ 79,582</u>
 SHAREHOLDERS' EQUITY:		
Capital stock:		
Authorized—200,000 common shares without nominal or par value		
Issued and fully paid—119,000 shares.....	1,045,500	1,045,500
Retained earnings (Exhibit "B").....	72,654	24,208
	<u>\$1,118,154</u>	<u>\$1,069,708</u>
 ON BEHALF OF THE BOARD:		
J. G. CHASTON, Director		
R. G. GRAHAM, Director		
	<u>\$3,490,735</u>	<u>\$3,345,404</u>

COLUMBIA NATURAL GAS *Limited*

Statement of Income and Retained Earnings

FOR THE SIXTEEN MONTHS ENDED DECEMBER 31, 1964

	Four months to December 31, 1964	Twelve months to August 31, 1964	Total
OPERATING REVENUE:			
Sale of natural gas.....	\$210,314	\$444,347	\$654,661
OPERATING REVENUE DEDUCTIONS:			
Natural gas purchased.....	55,319	110,195	165,514
Operating, general and administrative expenses.....	48,956	144,873	193,829
Depreciation (Note 3).....	23,616	64,261	87,877
	\$127,891	\$319,329	\$447,220
GROSS EARNINGS.....	\$ 82,423	\$125,018	\$207,441
OTHER INCOME:			
Income from investments.....		508	508
Miscellaneous.....	4,562	3,436	7,998
	\$ 86,985	\$128,962	\$215,947
INCOME DEDUCTIONS:			
Interest on funded debt.....	38,000	114,000	152,000
Amortization of deferred charges.....	2,039	6,114	8,153
	40,039	120,114	160,153
Less interest charged to capital.....	1,500	5,331	6,831
	\$ 38,539	\$114,783	\$153,322
NET INCOME FOR PERIOD.....	\$ 48,446	\$ 14,179	\$ 62,625
ADD:			
Retained earnings at beginning of period.....	24,208	7,929	7,929
Transfer of tax reductions applicable to future years (Note 2).....		2,100	2,100
RETAINED EARNINGS AT END OF PERIOD.....	\$ 72,654	\$ 24,208	\$ 72,654

COLUMBIA NATURAL GAS *Limited*

Notes to Financial Statements

FOR THE SIXTEEN MONTHS ENDED DECEMBER 31, 1964

1 6% FIRST MORTGAGE SINKING FUND BONDS, SERIES "A"

The trust deed securing the bonds requires the company to deposit with the trustee for sinking fund purposes \$57,000 in cash or principal amount of bonds on June 1 in each of the years 1968 to 1981 inclusive.

2 INCOME TAXES

As of September 1, 1963 the company adopted the policy of making provision in the accounts only for income taxes currently payable. Accordingly the amount of \$2,100 shown on the balance sheet at August 31, 1963 as "Tax Reductions Applicable to Future Years" has been transferred to retained earnings.

For the sixteen months ended December 31, 1964 the reduction in income taxes otherwise payable due to certain items being claimed for tax purposes before they are written off in the accounts amounted to approximately \$17,000 (twelve months to August 31, 1964, \$3,000). Cumulative reductions to December 31, 1964 amounted to approximately \$19,000.

3 DEPRECIATION

The company is following the practice of recording depreciation for each year on the plant in service at the beginning of that year, which is the basis approved by the Public Utilities Commission of British Columbia.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Columbia Natural Gas Limited as at December 31, 1964 and the statement of income and retained earnings for the sixteen months ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and the related statement of income and retained earnings, with the notes thereto, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1964 and the results of its operations for the period ended on that date, in accordance with generally accepted accounting principles which, except for the change in accounting for income taxes described in Note 2, have been applied on a basis consistent with that of the preceding year.

VANCOUVER, B.C.
March 12, 1965

HELLIWELL, MACLACHLAN & Co.,
Chartered Accountants.

